

7  
 APPEARED  
 IN PAGE A1

WASHINGTON POST  
 10 May 1987

# Secord's Revelations Deepen Mystery

## Was General a U.S. Covert Agent or a Private Operator?

By Dan Morgan and Walter Pincus  
 Washington Post Staff Writers

Except for a few occasions when he invoked the "lawyer-client privilege," retired major general Richard V. Secord never flatly refused to answer a question put to him last week by the House and Senate panels investigating the Iran-contra affair.

Even when he protested that he was being "badgered" by Senate Counsel Arthur L. Liman, he kept answering. In four days, he gave hundreds, if not thousands of responses, yet in the end it was clear he had answered on his terms and, if anything, had deepened the mysteries of the case.

### NEWS ANALYSIS

Who, really, was Secord in the affair? Was he just a private businessman, as he repeatedly asserted? Or was he a covert agent of the White House, or an "agent of the CIA," as he was described in a memorandum by Lt. Col. Oliver L. North?

And what was the covert organization that Secord referred to as "the enterprise"? Was it set up by Secord and his partners just to make money on business deals that came their way as a result of Secord's unique connections in government? Or was it set up with the knowledge and direction of high U.S. officials and the White House, to carry out secret initiatives outside the system of accountability established by Congress?

The questions about Secord's status—whether he was a government agent or a private operator—may ultimately turn out to be at the heart of the Iran-contra controversy.

Although many of the questions seemed to focus on the narrow issue of whether Secord was in the business for the money, the underlying one was whether he was brought into the contra and Iran operations so that the Reagan White House could hide activities it knew Congress already had barred, or would attempt to halt if known.

Secord plainly was no ordinary businessman. He testified, for example, that the communication system employed by "the enterprise"

was a secure one that used a network of six sophisticated encryption devices provided by the ultrasecret National Security Agency through North at no cost. In addition, the internal coding tape, which was changed monthly by the NSA, was also provided.

With these portable KL-43A devices, Secord and the people he referred to as his "operatives" could send messages over the telephone with no fear of private, or governmental, eavesdroppers.

As a "private businessman," he had unusual access. In the summer of 1984, his friend at the National Security Council, North, introduced him to the contra leader who would become a customer for \$10 million worth of arms in 1984 and 1985. When the White House brought Secord into the secret Iran operation in November 1985 to help Israeli ship arms, North provided him with a special letter on White House stationery asking him to provide "again" some "discrete assistance . . . in support of our national interest."

In the second week of January 1986, Secord testified, the new national security adviser, then-Vice Adm. John M. Poindexter, invited him to his office in the White House and said he and the president appreciated Secord's services rendered in the contra project and the earlier effort to help the Israelis.

Poindexter asked for his "help," and the next day, Secord said, he was invited to a second meeting in the White House situation room. Also attending were North; then-Central Intelligence Agency general counsel Stanley Sporkin; the CIA specialist on the Near East, and the CIA's top man on covert operations, Clair George.

Secord testified that these men were discussing the details of a presidential authorization for the covert sale of arms to Iran in which the U.S. government, through the CIA, would hide its role by selling through a "third party."

"That's why I was at the meet-

ing," Secord said. "I was the 'third party.' I was to be the commercial cutout, if you will."

While Secord claimed repeatedly that the "enterprise" he used to carry out the plan was private, Poindexter, in a memo to the president written the day after the situation room meeting, said that the CIA would use an "authorized agent" to handle the arms sale.

When presented with the document Friday, Secord said he had never seen it.

Not surprisingly, the congressional investigators have been particularly aggressive in questions about the administration's deliberate efforts to keep Congress in the dark. In the case of Iran, the White House failed for 10 months to inform Congress of the covert sale of weapons for hostages, perhaps fearing that congressional leaders would object to it as running counter to public U.S. counterterrorism policy.

In the case of the contras, the Boland Amendment prohibited all U.S. governmental aid to the contras from Oct. 3, 1984, through Dec. 19, 1985, and subsequently only humanitarian, communications and intelligence aid was allowed. In an electric few minutes of interchange, the amendment's author, Rep. Edward P. Boland (D-Mass.), read the language of the law.

"General, they're very simple English words, and if you've demonstrated anything here in the last four days it's your magnificent knowledge" of the English language.

"I understand the words, Mr. Boland, but it also tells me that private funding is legal," Secord said minutes later.

Secord's role enabled his White House contact, North, to accomplish tasks that could not be achieved through normal government channels.

Instead, North turned to "the enterprise," a network of shell companies, Swiss and Panamanian bank accounts, and fiduciary arrangements created at Secord's instructions. In mid-1985, North met with

Secord in Miami and urged him to help set up a private airlift to carry military supplies to the contras. In November 1985, funds began to flow into the main enterprise account, Lake Resources in Switzerland.

And in December, North directed Secord to divert to the contras \$800,000 that had been deposited by an Israeli businessman to pay for transporting Israeli-owned U.S. weapons to Iran.

Beginning with the first sale of U.S. arms to Iran through Secord, much larger sums of money began flowing into the Lake account. And, according to records, \$222,000 was taken from the Lake account to buy munitions on Feb. 27, along with other expenditures on the contra airlift.

If it was proved that Secord's enterprise acted as agent for the U.S. government, then the profits from these sales would be U.S. government funds. In that case, the eventual use of the \$3.5 million that Secord testified went to buy arms for the contras would be an unequivocal violation of the Boland Amendment.

But Secord argued last week that he had never signed a contract with the U.S. government or its agencies during this period, and was acting as a private entrepreneur.

Secord repeatedly asserted that "not a nickel of government funds" was used to pay for the arms, planes, crews and other costs connected with transporting U.S. arms and spare parts to Iran last year. These expenses, he said, were covered "up front" by having Iranian middlemen give him cash far in excess of the price charged by the U.S. government for the weapons.

But the huge markups, which created a pool of excess funds used in part for the contras, were only possible because U.S. laws prohibiting the sale of these weapons to Iran were expressly suspended for the covert government program.

Senate counsel Liman pointedly questioned Secord about whether he and North had deliberately priced the weapons to create a pool of money for a variety of covert operations.

In fact, documents and testimony revealed that "the enterprise," at North's direction, had begun to undertake projects for the U.S. government aside from the contra and Iran operations—projects that in at least one instance had money-making potential.

In the spring of 1986, a White House interagency group studied a variety of covert CIA actions that could be taken against Libya, including sending radio broadcasts from a ship in the Mediterranean. In anticipation of its approval, North had Secord use \$350,000 of unspent funds from the U.S.-Iran arms sales to purchase the small freighter *Erria* as the base for the transmission.

But the CIA rejected using the ship, and with that Secord's hopes for a \$50,000-a-month profit on the project were disappointed.

A question still hanging over the hearings is: If North was giving directions to Secord, who was directing North?

The late William J. Casey, then CIA director, maintained an office in the Executive Office Building next to the White House, near North's NSC office. Secord testified that North brought him to Casey's office last May to discuss contra funding problems.

In the mid-1970s, following revelations of CIA abuses by a committee headed by then-senator Frank Church (D-Idaho), the U.S. intelligence community abandoned the concept of "plausible deniability" under which presidents were able to distance themselves from covert actions that went awry.

Congress replaced it with a requirement that the president authorize covert activities of the CIA and other "intelligence agencies." The new system forced him to take responsibility, but not solely. He was required to notify congressional officials of such actions in a "timely" fashion.

If Secord turns out to have been an agent of the NSC, employed under cover as a private entrepreneur, in order to carry out a series of covert actions not approved by Congress, the Iran-contra affair could grow still messier and more embarrassing for the administration.